Fund Fact Sheet

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CFM ISDiversified Trust

Alternative Beta
September 2018

Fund objective

CFM Institutional Systematic Diversified (ISDiversified) is a multi-strategy Alternative Beta program which aims to deliver positive returns over the long term with low historical correlation to traditional asset classes. The program is composed of strategies that have been observed to persist over long periods of time and is invested across four strategies: Trends, Equity Market Neutral, Risk Premia and Universal Value.

Key facts [1]

A$.95604	Unit Price
+0.38%	September ROR
-8.78%	Year to date ROR
A$77m	FUM ISD Trust
US$815m	FUM Master

Key benefits

- A diversified multi-strategy approach
- Risk managed to a target volatility
- Low historical correlation to traditional asset classes
- Aims to provide cost effective access to alternative strategies

ISD Trust monthly returns since inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2015											0.0	-0.6	**-0.6**
2016	1.5	-0.2	-0.1	-3.1	0.9	-1.1	1.3	0.5	1.0	-0.2	-1.5	0.2	**-1.1**
2017	-0.3	2.3	-0.5	0.5	-0.2	-1.8	2.8	2.1	-1.2	2.6	-0.3	1.3	**7.4**
2018	0.2	-3.3	-0.1	-0.2	-1.8	-2.1	-0.3	-1.9	0.4				**-8.8**

Performance figures (%)

	3 months	6 months	Calendar YTD	1 Year	2 Years (%pa)	3 Years (%pa)	Since Inception (%pa)
CFM ISDiversified Trust	-1.9	-5.9	-8.8	-5.5	-1.8		-1.3
Offshore strategy in USD	-1.2	-4.8	-8.4	-5.3	-2.2	-1.7	3.0

Fund details

Inception date:	11 Nov 2015
AIPR:	PIM0034AU
Management fee:	1%
Fund expenses:	Capped at 0.3%
Performance fee:	10%
Buy/sell:	N/A
Min investment:	A$50,000
Distribution frequency:	Yearly as at 30 June
Pricing:	Daily
Investor time horizon:	3-5 years
Benchmark:	N/A

CFM overview

QUANTITATIVE SYSTEMATIC ASSET MANAGER

OFFICES IN **PARIS | LONDON | NEW YORK | TOKYO | SYDNEY**

FOUNDED IN **1991**

AUM ACROSS ALL PROGRAMS **US$10.1 BILLION**

CFM approach

Research

A dynamic research team dedicated to developing new strategies, improving execution algorithms and refining portfolio construction techniques

Technology

Developing proprietary platforms to implement structured trading strategies across key exchanges

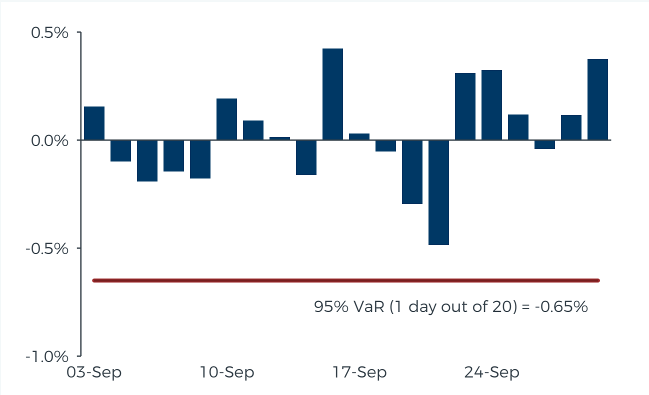
Risk Management

An independent risk team providing a multi-layered approach to market and operational risk

Collaboration

A collegiate culture of cross-discipline teams fosters an environment of innovation and performance

ISDiversified Trust daily returns (net) [2]



[1] FUM based on the leveraged equity of the master fund, R CFM Diversified, which trades in accordance with the CFM ISDiversified trading program, as modified to accommodate the rules & restrictions imposed by UCITS, Directive 2014/91/EU such as the restriction to invest in commodities underlyings.

[2] The strategy figures are based on the performance of the offshore fund, CFM ISDiversified Fund LP - USD 6% Volatility ('CFM ISD LP'), which applies a similar trading strategy and target volatility as the fund, but which has a different fee structure. Since June 2017, the performance of the fund is not fully comparable with that of CFM ISD LP, which includes an allocation to commodities (that is compensated by a slightly lower allocation to other asset classes), that is not included in the Fund.

[3] Correlation coefficients are calculated using daily time series.

[4] HFRX Global Hedge Fund Index.

[5] Barclays Capital Global Aggregate Bond Index USD Hedged Standard Leverage.

[6] MSCI World Index USD Daily Total Return Net.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS. THERE IS RISK OF LOSS WHEN INVESTING IN A MANAGED ACCOUNT OR A FUND. RETURNS PRESENTED IN THIS DOCUMENT ARE UNAUDITED. ALL OPINIONS AND ESTIMATES INCLUDED IN THIS DOCUMENT CONSTITUTE JUDGMENTS OF CFM AS AT THE DATE OF THIS DOCUMENT AND ARE SUBJECT TO CHANGE WITHOUT NOTICE.

Unless otherwise specified, all monthly performance figures are based on the official NAV of CFM ISDiversified Trust.

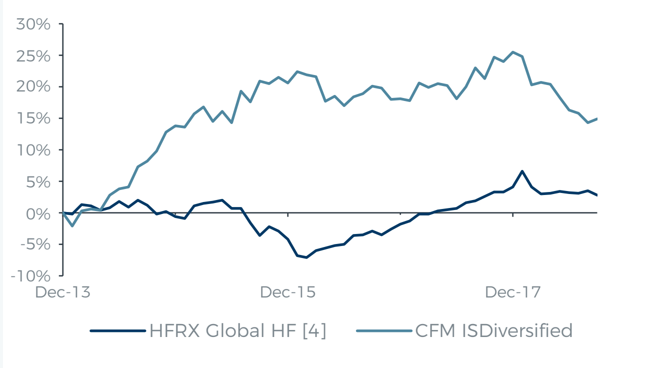
Offshore Benchmark Strategy in USD [2]

September 2018

Performance analysis

	Since Inception	Last 12 months
Total Cumulative Return	14.9%	-5.3%
Annualized Rate of Return	3.0%	-5.3%
% of Positive Months	52.6%	33.3%
Best Month	4.4%	2.8%
Worst Month	-3.6%	-3.6%
Peak to Valley Drawdown	-8.9%	-8.9%
Annualized Standard Deviation	5.6%	5.6%
Sharpe Ratio	0.4	-
Correlation [3] between ISD and		
HFRX Global HF[3]	0.36	0.49
Barclays Global-Agg [4]	0.10	-0.05
MSCI World Index [5]	0.27	0.44

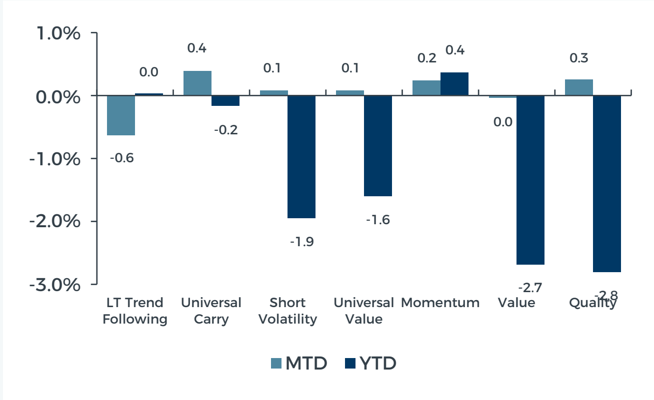
Cumulative returns since inception



Monthly returns since inception (%)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2014	-2.1	2.5	0.2	-0.1	2.3	1.0	0.2	3.1	0.8	1.6	2.7	0.8	**13.8**
2015	-0.1	1.9	0.9	-2.0	1.4	-1.6	4.4	-1.4	2.8	-0.4	0.8	-0.7	**6.1**
2016	1.4	-0.4	-0.2	-3.3	0.7	-1.2	1.2	0.4	1.0	-0.2	-1.6	0.1	**-2.1**
2017	-0.3	2.4	-0.6	0.5	-0.2	-1.8	1.6	2.5	-1.3	2.8	-0.6	1.2	**6.2**
2018	-0.6	-3.6	0.4	-0.2	-1.8	-1.7	-0.4	-1.3	0.5				**-8.4**

Contribution per strategy (gross)



CFM ISDiversified strategies

Trends

Long Term Trend Following
Seeks to extract returns from momentum across four asset classes with equal risk allocation to each

Portfolio construction uses a proprietary, adapted mean variance optimisation technique

Risk Premia

Universal Carry
Long high-yielding assets; short low-yielding assets

Short Volatility
Short delta-hedged options at targeted risk

Equity Market Neutral

Momentum
Long term trend on stock residuals

Value
Long value (low price to fundamentals) and short growth (high price to fundamentals)

Quality
Assessing stock quality using fundamental data

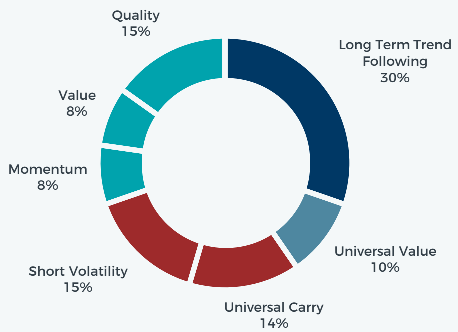
Universal Value

Seeks to exploit value from the mean-reversion of prices on the timescale of years.

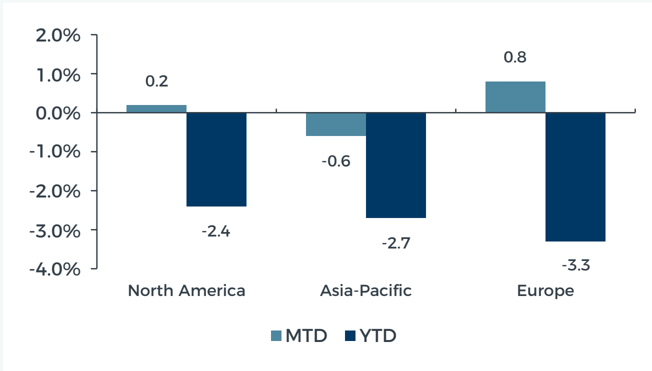
The program buys/sells cheap/expensive instruments in the futures/FX universe relative to both price based and fundamental value metrics.

Portfolio construction uses a proprietary, adapted mean variance optimisation technique.

Strategy AUM allocation



Contribution per geographic zone (gross)



For further details

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Key performance figures

Performance	FUM		
+0.3799% Monthly Return	**A$77.0m**	(A$77.0m equity)	ISDiversified Trust FUM (6% vol)
-8.7738% YTD Return	**US$3.1bn**	(US$2.7bn equity)	ISDiversified Program FUM (6% vol)
	US$10.1bn	(US$8.2bn equity)	Firm-wide FUM

The returns of the master fund's underlying strategies (Trends, Equity Market Neutral, Risk Premia, Universal Value) represent gross "carve-out" figures resulting from an internal performance attribution process.

Performance report

- Emerging markets found some reprieve. Currencies in most major emerging markets continued their slide from the previous month's aggressive sell-off, as the MSCI Emerging Market Currency Index registered 4 subsequent negative days to start the month. A floor was found mid-month as a flurry of emerging market central banks stepped-up policy responses, and strategists raised ratings on these currencies.
- Fed hikes rate for a second time (one more expected in 2018). US economic data remains positive: e.g. non-farm payroll data for August, published on September 7, came in stronger than estimated, printing 201,000 against the 190,000 expected. More telling for markets, however, was the 2.9% YoY wage growth – exceeding all economists' estimates (the median estimate was 2.7%). The dollar and US sovereign yields jumped on the news, markets betting that any lingering doubt about two additional rate hikes becoming moot. The FOMC duly raised the fed funds rate by 25 basis points to a range of 2 – 2.25% on September 26.
- S&P records. The US benchmark broke a string of record closing highs, breaking through the 2930 level on September 20. Markets have seemingly ignored potential risk events, of which the trade war has been hitherto the primary component.
- Trade war lingers on, more tariffs announced. The festering tit-for-tat trade war between China and the US escalated on September 24, as some USD 200bn of Chinese products became subject to US tariffs, on top of USD 50bn of existing levies. The tariff exchange seemed to be having an effect on the Chinese market, as the Caixin Chinese Manufacturing PMI for September printed 50, the lowest level since May 2017 (the border between expansion and contraction).

Trends: -0.82%

Trends were the only non-positive strategy within the portfolio during September, with all sectors (except Short Term Interest Rates), and notably Bonds and Currencies dragging down performance. In Bonds, although garnering strong returns from short positions in a select few US and Canadian tenures as global yields rose (bond prices move inversely to yields), the net long exposure in this sector tipped performance into the red. Despite our short position in the US 2-year reaping strong gains (as the yield jumped by 20 basis points), our long position in key European paper detracted from overall performance as these yields followed the US benchmark higher (US 10-year broke through the 3% level).

Better performance was also stymied by our short position in the Italian 10-year bond that has been tiptoeing higher after finding a trough on the last day of August. Speculation of a fiscally prudent budget has driven the spread between the favoured Bund benchmark and Italian BTP down to 1.95% by September 18, before diverging again somewhat towards month-end.

Returns from Currencies were also negative, with our short position in the Turkish lira (which strengthened by 8.2% against the dollar during the month, on, amongst others, a 625 basis points hike in the benchmark interest rate on September 13) and long position in the Japanese yen (which fell 2.3% against the dollar mostly on widening interest-rate differentials) registering the most negative gains.

Short term interest rates were the sole positive sector, with our short positioning in the Eurodollar continuing to deliver strong returns. As the Fed raised interest rates on September 26, the Eurodollar, trading as a discount security tied to the USD LIBOR, shifted lower since short term money market rates move largely in parallel with the Fed. Libor rates rose, and our Eurodollar shorts profited.

At the start of October, the program keeps its net long Equity Indices position, along with a net short STIR futures position. The program maintains a net long position in Bonds, while a net long dollar position is also maintained.

Equity Market Neutral: +0.63%

The strategy made good gains in September, breaking a multi-month negative streak.

While similar positive performance was observed from both the Momentum and Quality clusters, the Value cluster featured slight negative returns. Aggregated across the book, European securities provided the best returns (with the US marginally down), with daily returns uniformly spread across the month.

A sector rotation towards more defensive stocks materialised in September, with Telecommunication and Healthcare stocks outpacing the YTD darlings of Information Technology and Consumer Discretionary. The continued geopolitical haranguing continue to test fundamentals, but markets are holding steady on solid economic data and good corporate earnings. Aggregated across the book, our average long positioning in the Basic Materials sector contributed most, especially in Europe (notably in the UK, as large constituents there found a bid amidst the Commodity sector upturn). Consumer, Cyclical fared the worst, especially our net long exposure in the US (the S&P 500 GICS Consumer Discretionary sector was flat) and Europe.

The program's statistically factor neutral position maintains marginal long positions in the Technology, Consumer, Cyclical, Basic Materials and Financial sectors. The strategy's short position in the Consumer, Non-Cyclical and Industrial sectors was also maintained, with other sector exposures remaining low.

Momentum: +0.37%

The Momentum cluster featured positive returns over the month, with most regions featuring positive, or only marginally worse than flat performance. The slightly long Basic Materials and Energy sectors did best, with Consumer, Cyclical underperforming.

Value: -0.06%

In the Value cluster, poor performance from US stocks led the negative returns. Europe and Australian names were in the black, while the other regions were flat. Basic Materials and Communications both performed well, but overall returns were nevertheless dragged down by Financial and Consumer, Cyclical stocks.

Quality: +0.31%

The Quality cluster profited substantially from European equities, especially from a slight net long exposure in the Basic Materials sector. Japanese and Canadian names were the only non-positive performing region with the cluster wrapping up a positive month. Basic Materials were also the best sector aggregated across the book, with Consumer, Cyclical down most.

Risk Premia: +0.44%

Universal Carry: +0.42%

The Universal Carry strategy offered strong returns, registering a 6th out of 9 positive months in 2018. All sectors were in the black, with the exception of Short Term Interest Rates where, in contrast to Trends, we have a long position in Eurodollar.

Currencies were the best subsector with both developed, and G7-21 currencies having performed positively. A net short dollar exposure against a wide selection of G7-21 coinage gained, as the slide in emerging markets exchange rates were halted as central banks from key emerging markets – led by Turkey – raised benchmark interest rates. Moreover, Argentina, won a promise of an expanded bailout to approximately USD 57bn of additional cash and faster payments from the International Monetary Fund, aiding to halt the recent tumble in the MSCI Emerging Market Currency Index. The index gained 0.6% during the month.

Good gains were also collected from Bonds, especially from the Italian 10-year bond where a long exposure has been maintained amidst the yield that sagged 8 basis points during the month on cautious optimism for a fiscally prudent budget.

At the end of September, the strategy is net long Equity Indices and STIR futures, along with a net long dollar position. The Bond sector maintains a net short position.

Short Volatility: +0.02%

The Short Volatility strategy saw gains from all asset classes, bar Equity Indices, with daily returns evenly distributed across the month. Our delta hedged option on the Nikkei index brought the biggest losses, as the Japanese benchmark rallied on yen weakness and markets shrugged off global trade fears. The Nikkei jumped 5.5% during the month, with the biggest gains coming on September 18 and 19, when the index gained 1.4% and 1.1% respectively. Large Japanese life insurers, which typically track US 10-year yields since they are some of the largest holders of US debt, partly led the climb, as the benchmark Treasury tracked higher. Implied volatility across other equity markets were more muted, with the CBOE VIX moving in a tight range around 13 points. The gauge only briefly nudged above 15 points intraday on September 7, as the

US non-farm payroll data for August showed wage growth beating economists' expectations and the S&P 500 dipping lower as a result.

Our delta hedge options on the US 10-year proved positive with implied volatility, as measured by the US 10-year Treasury Volatility Index (TYVIX) slipping to new lows. The index featured a distinct V-pattern during the month, having slumped to a record low closing of 3.16 points on September 14, before rising slightly towards month-end.

Delta hedge positioning in Currencies was mixed, with gains recorded in the euro, but, in near-equal measure, cancelled by sterling. The pound was battered by competing good macro news and a poor Brexit diagnosis following the Salzburg conference: volatility as measured by the one-month at-the-money options spiked on September 9, and again on the 24 – finishing the month 1.5 points higher. Euro volatility was much more muted – dipping below 7 points over the period.

Universal Value: +0.11%

A modest, yet positive performance in the Universal Value strategy was realised. After a challenging YTD, the strategy benefitted from good performance in the Currency sector, specifically from our short dollar exposure to certain key G7-21 currencies. Our short dollar position in the Turkish lira offered the most gains, while a likewise short position in the South African rand (after hawkish comments from the central bank caused it to follow its peers higher) and Mexican peso (on broad confidence surrounding the conclusion of a Nafta deal) also contributed positively. Slight positive returns came from Equity Indices, where our long position in the UK FTSE (heavily weighted energy constituents catching wind as the oil price rose) and Japanese Nikkei (on a cheaper yen after dovish Bank of Japan statements) contributed most in this sector.

The Bond sector diluted the returns most. While the Trends strategy maintains a short exposure in the US 2-year note, a long exposure is established in Value and was one of the main detracting positions. However, our long position in the Canadian 10-year bond offered the most negative returns in this sector, as the yield reached 2.46% on September 25 (nearing its yearly high of 2.52% in May). Canadian yields follow their Southern neighbour quite closely (US and Canadian 10-year bonds have a correlation of ~ 85% in recent years). Moreover, with the number of job openings exceeding the unemployed, and inflation ticking up, expectations are that the Bank of Canada will raise borrowing costs at their next meeting in October to 1.75%, from the current 1.50% overnight target rate – all fuelling a rising yield.

At month end, the strategy maintains net short Bonds and Equity Index positions, along with a net long STIR futures and short dollar position.